International Seabed Authority ISBA/21/FC/4

Finance Committee

Distr.: Limited
22 May 2015

Original: English

Twenty-first session
Kingston, Jamaica
13-24 July 2015

Status of implementation of the decision of the Assembly of the International Seabed Authority relating to annual overhead charges for contracts for exploration

Report of the Secretary-General

1. By its decision of 25 July 2013, the Assembly of the International Seabed Authority established an annual overhead charge of $47,000 to cover the costs incurred by the Authority in administering and supervising contracts for exploration (ISBA/19/A/12). The charge is due to be paid by each contractor by 31 March each year. The decision is to be implemented through the addition of two new clauses (sects. 10.5 and 10.6) to the standard clauses for such contracts. Special provisions were made regarding the effect of the decision with regard to existing contracts and applications received before 25 July 2013, the date when the decision entered into effect.

2. Standard clauses 10.5 and 10.6 apply automatically to any contract entered into as a result of an application for approval of a plan of work for exploration submitted after 25 July 2013. As at 10 May 2015, four such applications had been received. Three of those were approved in July 2014 and one will be considered by the Council of the Authority in July 2015.

3. With regard to the 14 exploration contracts that had been entered into before 25 July 2013, the Assembly requested the Secretary-General to consult each contractor with a view to renegotiating the contracts, in accordance with section 24.2 of the standard clauses, in order to incorporate clauses 10.5 and 10.6. As at 10 May 2015, eight contractors had accepted clauses 10.5 and 10.6 and either paid the overhead charges or agreed to start payment in 2016, while consultations were ongoing with respect to the remaining six existing contracts.[1]

[1] Yuzhmorgeologiya (polymetallic nodules), China Ocean Mineral Resources Research and Development Association (polymetallic nodules and polymetallic sulphides), Institut français de recherche pour l'exploitation de la mer (polymetallic nodules), the Government of India (polymetallic nodules) and the Government of the Russian Federation (polymetallic sulphides).

15-08148 (E) 080615

Please recycle

4. With regard to the nine applications for approval of a plan of work that had been submitted before 25 July 2013, the Assembly requested the Secretary-General to consult the applicants before signing the contracts for exploration, with a view to incorporating clauses 10.5 and 10.6. As at 10 May 2015, seven approved applications had been turned into contracts incorporating clauses 10.5 and 10.6, while two contracts had yet to be signed (with UK Seabed Resources Ltd. and the Government of India).

5. In 2014, the total miscellaneous income received from annual overhead charges was $141,000. In 2015, the amount increased to $423,000. For 2016, assuming that all outstanding approved applications are concluded in the form of contracts before the end of 2015 and that all related annual reports are submitted in 2016, the anticipated income is $940,000. This amount may increase by up to $282,000 if the Secretary-General is able to reach agreement with regard to the remaining six existing contracts for the payment of the overhead charges in 2016. A summary of actual and anticipated income from annual overhead charges from 2014 to 2016, as at 10 May 2015, is shown in the annex to the present report.

6. The Finance Committee is invited to take note of the information contained herein.

Annex

Status of overhead charge payment (2014-2016) as at 10 May 2015

	Contractor	Date of contract	Index number of contract	Payment made (United States dollars) 2014	Payment made (United States dollars) 2015	Anticipated payment (United States dollars) 2016
1.	Yuzhmorgeologiya[a]	29 March 2001	PMN/01.3/2001/RUS[b]	–	–	–
2.	Interoceanmetal Joint Organization	29 March 2001	PMN/02.3/2001/IOM[b]	–	–	47 000
3.	Government of the Republic of Korea	27 April 2001	PMN/03.3/2001/KOR[b]	–	47 000	47 000
4.	China Ocean Mineral Resources Research and Development Association[a]	22 May 2001	PMN/04.3/2001/CHN[b]	–	–	–
5.	Deep Ocean Resources Development Co. Ltd.	20 June 2001	PMN/05.3/2001/JPN[b]	47 000	47 000	47 000
6.	Institut français de recherche pour l'exploitation de la mer[a]	20 June 2001	PMN/06.3/2001/FRA[b]	–	–	–
7.	Government of India[a]	25 March 2002	PMN/07.3/2002/IND[b]	–	–	–
8.	Federal Institute for Geosciences and Natural Resources of Germany	19 July 2006	PMN/08.3/2006/DEU	–	47 000	47 000
9.	Nauru Ocean Resources Inc.	22 July 2011	PMN/09.3/2011/NRU	–	–	47 000
10.	China Ocean Mineral Resources Research and Development Association[a]	18 November 2011	PMS/01.3/2011/CHN	–	–	–
11.	Tonga Offshore Mining Limited	11 January 2012	PMN/10.3/2012/TON	47 000	47 000	47 000
12.	Government of the Russian Federation[a]	29 October 2012	PMS/02.3/2012/RUS	–	–	–
13.	Global Sea Mineral Resources NV	14 January 2013	PMN/11.3/2013/BEL	–	47 000	47 000
14.	UK Seabed Resources Ltd.	8 February 2013	PMN/12.3/2013/GBR	47 000	47 000	47 000
15.	Japan Oil, Gas and Metals National Corporation	27 January 2014	CFC/01.3/2014/JPN	–	47 000	47 000
16.	China Ocean Mineral Resources Research and Development Association	29 April 2014	CFC/03.3/2014/CHN	–	47 000	47 000
17.	Government of the Republic of Korea	24 June 2014	PMS/03.3/2014/KOR	–	47 000	47 000
18.	Institut français de recherche pour l'exploitation de la mer	18 November 2014	PMS/04.3/2014/FRA	–	–	47 000
19.	Marawa Research and Exploitation Ltd.	19 January 2015	PMN/13.3/2015/KIR	–	–	47 000
20.	Ocean Mineral Singapore Pte Ltd.	22 January 2015	PMN/14.3/2015/SGP	–	–	47 000
21.	Government of the Russian Federation	10 March 2015	CFC/03.3/2015/RUS	–	–	47 000
22.	Federal Institute for Geosciences and Natural Resources of Germany	6 May 2015	PMS/05.3/2015/DEU	–	–	47 000
23.	UK Seabed Resources Ltd.	Under negotiation	–	–	–	47 000[c]
24.	Government of India	Under negotiation	–	–	–	47 000[c]

Contractor	*Date of contract*	*Index number of contract*	*Payment made (United States dollars)*		*Anticipated payment (United States dollars)*
			2014	*2015*	*2016*
25. Cook Islands Investment Corporation	Under negotiation	–	–	–	47 000[c]
26. Companhia de Pesquisa de Recursos Minerais S.A.	Under negotiation	–	–	–	47 000[c]
27. China Minmetals Corporation	Under negotiation	–	–	–	–
Total payments allocated to miscellaneous income			**141 000**	**423 000**	**940 000**

[a] The contractor has not yet agreed to incorporate clauses 10.5 and 10.6 into its existing contract.
[b] The contract will expire in 2016.
[c] The amount will be available if the contract is concluded before the end of 2015 and the related annual report is submitted in 2016.

International Seabed Authority ISBA/21/FC/5

Finance Committee

Distr.: Limited
4 June 2015

Original: English

Twenty-first session
Kingston, Jamaica
13-24 July 2015

Status of the International Seabed Authority Endowment Fund for Marine Scientific Research in the Area and possible options for its future management and investment

Report of the Secretary-General

I. Introduction

1. The purpose of the present document is to inform the Finance Committee of the status of the International Seabed Authority Endowment Fund for Marine Scientific Research and, in response to concerns expressed by the Advisory Panel for the Endowment Fund at its twelfth meeting in February 2015, to identify possible alternatives for managing and investing the Endowment Fund in order to ensure that it is able, both now and in the foreseeable future, to meet the objectives for which it was established.

II. Background information

2. The International Seabed Authority Endowment Fund for Marine Scientific Research in the Area was established by the Assembly by resolution ISBA/12/A/11, adopted on 16 August 2006, with a view to implementing article 143, paragraph 2, of the United Nations Convention on the Law of the Sea, which provides that the International Seabed Authority shall promote and encourage the conduct of marine scientific research in the Area. In the resolution, the Authority decided that the purpose of the Fund should be to promote and encourage the conduct of marine scientific research in the Area for the benefit of mankind as a whole, in particular by supporting the participation of qualified scientists and technical personnel from developing countries in marine scientific research programmes and by providing them with opportunities to participate in international technical and scientific cooperation, including through training, technical assistance and scientific cooperation programmes. Detailed rules and procedures for the administration and utilization of the Fund are set out in a decision adopted by the Assembly on 19 July 2007 (ISBA/13/A/6, annex).

15-09015 (E) 160615

Please recycle

3. Applications for assistance from the Endowment Fund may be made by any developing country or by any other country, if the purpose of the grant is to benefit scientists from developing countries. Pursuant to the agreed procedures, an Advisory Panel is to be appointed by the Secretary-General to evaluate applications for assistance from the Fund and make recommendations to the Secretary-General. Appointments to the Advisory Panel are for a period of three years.

III. Status of the Endowment Fund

4. As at 31 May 2015, the capital of the Endowment Fund stood at $3,455,538. From the start of the Fund up to 31 May 2015, a total amount of $480,081 had been disbursed from the interest accrued on the capital in the form of awards to support qualifying projects. A total of 66 scientists or government officials from 36 developing countries/areas have been beneficiaries of financial support from the Endowment Fund: Argentina, Bangladesh, Bolivia (Plurinational State of), Brazil, Cameroon, China, Colombia, the Cook Islands, Costa Rica, Egypt, Fiji, Guyana, India, Indonesia, Jamaica, Madagascar, Maldives, Malta, Mauritania, Mauritius, Micronesia (Federated States of), Namibia, Nigeria, Palau, Papua New Guinea, Peru, the Philippines, the Russian Federation, Sierra Leone, South Africa, Sri Lanka, Suriname, Thailand, Trinidad and Tobago, Tunisia and Viet Nam. The status of the Fund is detailed in the annex to the present report.

IV. Current challenges facing the fulfilment of the objectives of the Endowment Fund

5. Despite the achievements of the Endowment Fund, challenges to fulfilling the purpose of the Fund remain. Some of the challenges were noted by the Advisory Panel at its twelfth meeting, in February 2015. The Panel noted that as a result of the current low interest rate environment, the Fund was generating less than 1 per cent interest and was therefore not keeping pace with the rate of inflation or the costs of marine scientific research. Were the current recommendations of the Panel to be followed, the funding available for projects would be entirely exhausted in 2015. The Panel recommended that the Finance Committee should give consideration to alternatives for investing and managing the Fund so that it could grow in real terms.

6. The primary concern with respect to the Endowment Fund is the low interest income earned by the Fund as a result of the low interest rate environment. The interest generated is shown in table 1 below.

Table 1
Balance and interest income history of the International Seabed Authority Endowment Fund
(United States dollars)

Date	*Fund balance*	*Interest income*	*Interest rate (per cent)*
31 December 2011	3 385 009	4 961	0.15
31 December 2012	3 413 604	26 815	0.79
31 December 2013	3 452 424	63 903	1.87
31 December 2014	3 483 019	33 812	0.98
2015 (up to 31 May 2015)	3 481 920	13 780	0.41 (approximately 0.9 annual)

7. In 2012, the Finance Committee took note of the higher interest rates offered by the Bank of Nova Scotia Jamaica Limited and recommended that the Secretary-General invest the capital of the Endowment Fund in that bank in short-term time deposits, in United States dollars.

8. First, while the amount of interest income increased in 2012 and 2013, it decreased in 2014 and is expected to stay at similar levels in 2015. The present challenge facing the Endowment Fund is that the current low interest rate environment results in low levels of interest income that are likely to be insufficient to fund future projects. For example, in February 2015, the Advisory Panel considered four project applications and recommended that the Secretary-General fund three applications for a total amount of up to $39,880. The amount required will likely exceed by approximately $8,540 the projected interest income of $31,340 to be earned by the Endowment Fund in 2015.

9. Second, at current interest income levels, the Endowment Fund is not keeping pace with the rate of inflation or the costs of the marine scientific research that it is funding. For the long-term sustainability and viability of the Fund, consideration should be given to growth and the preservation of inflation-adjusted capital in selecting investment options.

10. The third challenge is the low level of contributions to the capital of the Endowment Fund. Between the previous session of the Authority in 2014 and 31 May 2015, only two contributions were received: from Mexico ($7,500) and from Tonga ($1,000). It is very difficult to encourage contributions to the capital of a fund that is constrained in its operations by extremely low interest rates. It is to be noted that from 2010 through 2014, the average annual contribution was $43,050, while the average annual amount disbursed from 2008 to date was $60,010. This is not sustainable in the long term.

V. Options for increasing available funds from the Endowment Fund

11. In order to increase the number and total value of applications funded, the two available options are:

(a) To modify the decision of the Assembly of 19 July 2007 so that the Endowment Fund may spend part of its capital;

(b) To increase the income earned by the Endowment Fund.

12. Clearly, the first option is only a short-term option, since income will gradually decrease along with the capital of the Fund. In addition, to spend the capital would necessitate a change in the decision of the Assembly of 19 July 2007, which would require the approval of the Council and the Assembly.

13. With little added risk, it may be possible to earn more than the approximately 0.9 per cent return currently earned by the Endowment Fund, for example, by investing in United States government bonds, which, on the basis of current interest rates, would yield the projected results indicated in table 2.

Table 2
Projected results of investment in United States government bonds at current interest rates
(United States dollars)

Term	*Interest rate*	*Current interest income for one year at 0.9 per cent*	*Projected interest income from United States government bonds*	*Projected additional (negative) income from United States government bonds*
1-month bill	0.010%	31 347	348	(30 999)
3-month bill	0.010%	31 347	348	(30 999)
6-month bill	0.079%	31 347	2 752	(28 595)
1-year note	0.222%	31 347	7 732	(23 615)
2-year note	0.572%	31 347	19 923	(11 424)
3-year note	0.929%	31 347	32 357	1 010
5-year note	1.486%	31 347	51 758	20 411
7-year note	1.874%	31 347	65 272	33 925
10-year note	2.139%	31 347	74 502	43 155
30-year bond	2.893%	31 347	100 764	69 417

Source: *Wall Street Journal*, 8 May 2015.

14. Given the higher rates obtainable from investing in United States government bonds, the Endowment Fund could consider buying 10-year notes, which would result in an additional 1.2 per cent per year of interest income. The investment of the current Endowment Fund balance of $3,481,920 would result in annual interest income of approximately $74,500, or approximately $43,053 more income than is currently being earned.

15. Alternatively, the Endowment Fund could increase its risk and potential long-term returns by hiring an outside investment manager with a mandate to invest globally, including in equities, real estate and fixed-income instruments. The 10-year (1 January 2005 to 31 December 2014) return on the Standard and Poors 500 Total Return Index, including dividends, was 7.6 per cent. This return exceeded the rate of inflation and included the negative returns earned during the 2007/08 financial crisis. This suggests that investing a portion of the Fund in equities could yield a higher income and grow the Fund in real terms, while also increasing its volatility. Nonetheless, given its long-term objectives, it is recommended that the Fund should be invested in longer-term assets instead of short-term time deposits as

at present to achieve a financial match between the long-term objectives of the Fund and its investment horizon.

16. This option would be in line with the provisions of financial regulation 9 on investment of funds, which provides as follows:

> 9.1 The Secretary-General may make short-term investments of a non-speculative nature, not needed for immediate requirements and shall inform the Finance Committee periodically of such investments which he or she has made.
>
> 9.2 The Secretary-General may, after consultations with an investment counsellor appointed on the recommendation of the Finance Committee, make long-term investments of moneys standing to the credit of trust funds, reserve and special accounts, except as may be otherwise provided by the appropriate authority in respect of each such fund or account and having regard to the particular requirements as to the liquidity of funds in each case.

17. It may be noted that another United Nations fund, the United Nations Joint Staff Pension Fund, has a long-term objective to generate a real return of 3.5 per cent over time. In its efforts to achieve this objective, the Pension Fund selectively engages the services of external fund managers who execute specialty investment mandates.

VI. Recommendations

18. The Finance Committee is invited to take note of the status of the Endowment Fund. The Committee is further invited to consider possible ways in which the income from the Fund may be increased to enable it to meet its objectives and, in particular, to consider the following options identified in the present document:

(a) To recommend that the Secretary-General take steps to invest the whole or part of the Endowment Fund in United States government bonds;

(b) To recommend that the Secretary-General appoint an investment counsellor pursuant to financial regulation 9, with a view to making appropriate long-term investments of all or part of the Endowment Fund. Given the relatively small size of the Fund, this will be subject to acceptance by a suitable investment counsellor;

(c) To recommend that the decision of the Assembly of 19 July 2007, in which it adopted the terms of reference, guidelines and procedures of the Endowment Fund (ISBA/13/A/6) be modified so that the Fund may spend a portion of its capital.

Annex

Status of the International Seabed Authority Endowment Fund for Marine Scientific Research in the Area

International Seabed Authority
Status of the Endowment Fund as of 31 May 2015

Endowment Fund	
Capital	
Initial capital as of 18 August 2006	**2 631 803**
United Kingdom of Great Britain and Northern Ireland contribution, 16 May 2008	29 800
Mexico contribution, 6 October 2008	2 500
Spain contribution, 5 November 2008	25 514
Norway contribution, 25 August 2009	250 000
Germany application fee + interest as of 25 September 2009	276 719
United Kingdom of Great Britain and Northern Ireland contribution, 22 March 2010	15 253
Interest not spent as of 31 December 2009	**16 535**
Interest not spent as of 31 December 2010	**6 414**
Nigeria contribution, 22 June 2011	10 000
Mexico contribution, 7 September 2011	2 500
Japan contribution, 15 September 2011	100 000
United Kingdom of Great Britain and Northern Ireland contribution, 17 January 2012	20 000
Mexico contribution, 8 November 2012	5 000
United Kingdom of Great Britain and Northern Ireland contribution, 18 July 2013	10 000
Mexico contribution, 10 September 2013	5 000
United Kingdom of Great Britain and Northern Ireland contribution, 24 April 2014	10 000
Republic of Korea contribution, 3 July 2014	30 000
Mexico contribution, 4 September 2014	7 500
Tonga contribution, 18 December 2014	1 000
Total capital	**3 455 538**
Interest	
Earned in 2006	49 826
Earned in 2007	125 248
Earned in 2008	100 540
Earned in 2009	44 007
Earned in 2010	44 018
Earned in 2011	4 961
Earned in 2012	26 815

Endowment Fund	
Earned in 2013	63 903
Earned in 2014	33 812
Earned in 2015	13 780
Total cumulated interest	**506 910**
Expenditures	
Contribution to InterRidge, December 2008	(30 000)
Contribution to Voluntary Trust Fund, December 2008	(20 000)
Contribution to E&F Shared Resources Centre (Rhodes Academy), May 2009	(35 146)
Contribution to National Institute of Oceanography, India, September 2009	(14 700)
Contribution to Duke University, United States of America, October 2009	(41 456)
Flight cost for National Institute of Oceanography participants	(4 499)
Contribution to Rhodes Academy, May 2009	(29 273)
Contribution to National Institute of Oceanography, India, October 2010	(19 600)
Flight cost for National Institute of Oceanography participants, October-December 2010	(10 851)
Contribution to E&F Shared Resources Centre (Rhodes Academy), December 2010	(30 000)
Contribution to Voluntary Trust Fund, December 2010	(40 000)
Contribution to Rhodes Academy, December 2011	(30 000)
Contribution to InterRidge, December 2011	(45 000)
Bank expenditures	(447)
Contribution to International Network for Scientific Investigation of Deep-Sea Ecosystems (INDEEP)	(18 000)
Contribution to E&F Shared Resources Centre (Rhodes Academy), April 2013	(15 000)
Contribution to Second Institute of Oceanography (Southwest Indian Ridge), April 2013	(15 000)
Contribution to E&F Shared Resources Centre (Rhodes Academy), 2nd instalment, November 2013	(15 000)
Contribution to E&F Shared Resources Centre (Rhodes Academy), 1st instalment, April 2014	(15 000)
Flight cost for A. Wasuwatcharapong (conducted by Task Group for the Portuguese Continental Shelf Extension (EMEPC))	(1 257)
Contribution to E&F Shared Resources Centre (Rhodes Academy), 2nd instalment, September 2014	(15 000)
Contribution to Second Institute of Oceanography (Southwest Indian Ridge), December 2014	(20 420)
Contribution to Southampton INDEEP/ISA travel bursary to Deep-Sea Biology Society Applications	(14 880)
Total expenditures	**(480 528)**
Available funds to be used (interest - expenditures)	**26 382**
Initial capital + interest - expenditures as of 31 May 2015	**3 481 920**

Annual interest gained analysis

Year	*Inversion US$*	*Annual interest gained US$*	*Annual interest rate %*
2006	2 631 803	49 826	1.89%
2007	2 681 629	141 783	5.29%
2008	2 801 426	106 954	3.82%
2009	3 326 560	44 007	1.32%
2010	3 291 694	44 018	1.34%
2011	3 335 712	4 961	0.15%
2012	3 387 038	26 815	0.79%
2013	3 387 038	63 903	1.89%
2014	3 387 038	33 812	1.00%
2015	3 387 038	13 780	0.41%
Average annual rate	**3 528 742**	**66 232**	**1.88%**

International Seabed Authority ISBA/21/FC/6

Finance Committee

Distr.: General
9 June 2015

Original: English

Twenty-first session
Kingston, Jamaica
13-24 July 2015

Proposal to enhance the budget presentation for the financial period 2017-2018 in the light of the International Public Sector Accounting Standards

Introduction

1. The purpose of the present document is to identify and put forward alternative proposals for presenting the proposed budget of the International Seabed Authority for the financial period 2017-2018. In conducting this analysis, the practices of a number of United Nations agencies were reviewed, including the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women).

2. The present paper builds on the study (ISBA/18/A/4-ISBA/18/C/12, para. 16) initiated by the Finance Committee in 2012 to better describe and account for the use of fees for processing of applications for approval of plans of work for exploration. In 2013, the Finance Committee continued the study (ISBA/19/A/7-ISBA/19/C/11, paras. 25-27) for the purpose of better describing and accounting for these fees and the different sources of income for the Authority. The Committee requested the Secretary-General to include in the income section of the budget proposal for the financial period 2015-2016 a statement of estimated miscellaneous income in the course of the next financial period, in accordance with regulation 6.3 (b) of the Financial Regulations. As a starting point, the Secretary-General was requested to include in that estimate the anticipated income from the annual overhead charges payable by the contractors. This was reflected in the budget for the financial period 2015-2016 (ISBA/20/A/12 and ISBA/20/A/5-ISBA/20/C/19).

3. The quadrennial comprehensive policy review emphasized the call by Member States to sharpen the focus on delivering and demonstrating results. Results-based management is an important tool towards that end. Results-based management is an

15-09210 (E) 240615

Please recycle

integral part of the United Nations reform agenda, which was reiterated in the Five-Year Action Agenda of the Secretary-General.[1]

4. The Authority's budget for the 2015-2016 financial period has been prepared using a traditional accounting chart of accounts format (see annex I to the present document), which has not evolved much despite a changing United Nations budget environment and a progressive evolution in the work of the Authority, which now includes work with contractors. Possible alternative budget formats include programme or thematic approaches in accordance with strategic plans. Any changes to the budget presentation format would also require changes to the chart of accounts, where income and expenses are recorded, so that the Authority can report financial results in the same format as the budget.

Budget presentation proposal

5. Typically, the budget and reporting of United Nations agencies follow their strategic plans. In the case of the Authority, the work programme is currently reflected in the annual report of the Secretary-General, which sets out the main focus areas for the Authority. An alternative budget proposal might therefore be organized around the following programme areas (see ISBA/21/A/2):

(a) Supervisory functions with regard to contracts for exploration;

(b) Monitoring of trends and developments relating to deep seabed mining activities, including world metal market conditions and metal prices, trends and prospects;

(c) Development of an appropriate regulatory framework for the future development of the mineral resources of the Area, including standards for the protection and preservation of the marine environment during their development;

(d) Promotion and encouragement of marine scientific research in the Area through, among other things, an ongoing programme of technical workshops, the dissemination of the results of such research, and collaboration with contractors and the international scientific community;

(e) Information-gathering and the establishment and development of unique databases of scientific and technical information with a view to obtaining a better understanding of the deep ocean environment;

(f) Ongoing assessment of available data relating to prospecting and exploration for polymetallic nodules, polymetallic sulphides and cobalt-rich ferromanganese crusts;

(g) Development of an environmental management plan for relevant areas containing polymetallic nodules, polymetallic sulphides and cobalt-rich ferromanganese crusts.[2]

---

[1] See the document "Joint meeting of the Executive Boards of UNDP/UNFPA/UNOPS, UNICEF, UN-Women and WFP: Operationalizing the decisions of the quadrennial comprehensive policy review" of 4 February 2013.

[2] With the adoption of an environmental management plan for polymetallic nodules in the context of exploitation, such plans will have to be developed for polymetallic sulphides and cobalt-rich ferromanganese crusts.

6. Many costs will be specifically linked to one programme. However, some programme-related costs, which may be linked to two or more of the above programmes, will be prorated to the programmes to which they can be specifically linked. The proposed format is set out in annex II.

7. Furthermore, these seven programmes would be supported by cross-cutting management, operations and costs, which cannot be allocated to specific programmes.

8. The income of the Authority would include:

(a) Contributions from Member States;

(b) Estimated savings (biennium 2015-2016), if any;

(c) Miscellaneous income.

9. The miscellaneous income of the Authority would include:

(a) Expected overhead charges, 2017. This would include the overhead charges from the contractors that have agreed to the charge;

(b) Expected overhead charges, 2018. This would include the overhead charges from the contractors that have agreed to the charge;

(c) Expected application processing fees from applications received and currently in process, 2017;

(d) Expected application processing fees from applications received and currently in process, 2018;

(e) Expected application processing fees from application fees received, where the application is to be approved, 2017 and 2018.

10. Both the overhead charges and the contractors' application fees are specifically related to programme area 1, Supervisory functions with regard to contracts for exploration.

11. A disadvantage of changing the budget format is that the 2017-2018 budget will not be comparable with the current 2015-2016 budget, since the current budget is not presented in a programmatic format and is not readily convertible to such a format. However, if the 2017-2018 budget is presented in a programmatic manner with accounting codes, it can also be presented in a manner comparable with the 2015-2016 format. Furthermore, it should be noted that the 2015-2016 budget and expenditures cannot be modified for presentation in a programmatic manner. In other words, there will be backward budget compatibility, but not forward compatibility.

Effect of the International Public Sector Accounting Standards on budgets

12. Entities are permitted to adopt different bases of budgeting, which include the cash basis, modified cash basis or the accrual basis. As mentioned below, the United Nations continues, in 2015, to prepare budgets on the modified cash basis, which is the same presentation as that used for the budget of the Authority for the financial period 2015-2016.

13. The International Public Sector Accounting Standard 24 (IPSAS 24) describes the standards for the presentation of budget information in financial statements. The standard, which was updated most recently in October 2011, applies to public sector entities that make their approved budget(s) publicly available to enhance the transparency of their financial reporting. The standard requires these entities to make certain disclosures about budget and actual amounts in their financial statements or other reports. Annex III contains further details and extracts from IPSAS 24 as it applies to the Authority.

14. Compliance with the requirements of this standard will ensure that public sector entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating: (a) compliance with the approved budget(s) for which they are held accountable; and (b) where the budget(s) and the financial st[illegible]ents are prepared on the same basis, their financial performance in achieving the budgeted results.

15. The standard does not specify the requirements for the formulation or presentation of approved budgets that are made publicly available. There are two main types of budgets, namely, cash basis budgets and full accrual basis budgets. The United Nations continues, in 2015, to prepare budgets on the modified cash basis.

16. The term "accrual budgeting" is not a term with a generally accepted meaning in accounting literature, which makes accrual budgeting subject to more interpretations. However, in general, "accrual budgeting" means that spending authorities are given budgets that are defined in terms of accrual concepts. In particular, the accrual budget sets quantitative limits on the expenses that they may incur, rather than the cash payments that they may make. A difference between the cash and accrual bases would be the use of annual depreciation in the full accrual basis presentation versus the cost of acquiring a new property less its net proceeds of disposition using the cash basis.

17. The IPSAS standard requires that the financial statements of the entity include:

(a) A comparison of actual amounts with amounts in the original and final budget. This comparison is to be made on the same basis of accounting as adopted for the budget, even if that basis is different from the basis adopted for the financial statements. Hence, it is possible, and it would be in compliance with IPSAS, to present the financial statements in an IPSAS-compliant full accrual manner and to present the budget on the cash basis, as currently done;

(b) An explanation of material differences between budget and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements;

(c) A reconciliation of actual amounts on a budget basis, with actual amounts presented in the financial statements when the accounting and budget bases differ.

18. The standard also requires the disclosure of an explanation of the reasons for differences between the original and final budgets, including whether those differences arise from reallocations within the budget, other factors such as policy shifts, or other unforeseen events. These disclosures may be made in the notes to the financial statements.

19. Comparative information in respect of the previous period is not required for the disclosures specified by IPSAS 24; nor does the standard require that the related explanation of differences between the actuals and the budget of the previous period be disclosed in the financial statements of the current period. The IPSAS Board was concerned that the requirement for the disclosure of comparative information would result in information overload and an over-complex network of reporting requirements and would not be in the interest of the users of the financial statements.

20. Under IPSAS, the Authority will continue to prepare budgets covering a two-year financial period and annual budgets covering each year in the two-year period.

Recommendation

21. The Finance Committee is invited to consider the proposal to present the proposed budget for the financial period 2017-2018 by programme area.

22. Furthermore, the Finance Committee is invited to note that the Authority will continue to prepare budgets on the same basis as the United Nations, namely, on a modified cash basis, which is in compliance with IPSAS 24. To enhance transparency, in accordance with IPSAS 24, the Authority will also present additional required disclosure, including explanations of variances.

Annex I

Traditional accounting: current chart of accounts presentation format for the International Seabed Authority budget

Summary of budgetary requirements for the International Seabed Authority for the period from 1 January 2015 to 31 December 2016[a]

(Thousands of United States dollars)

	Approved for			*Total for*	*Increase (decrease)*	
	2013 2014	*2015*	*2016*	*2015 2016*	*Amount*	*Percentage*
Part 1. Administrative expenses of the secretariat						
Section 1						
Established posts	6 023.6	3 040.6	3 040.6	6 081.2	57.6	1.0
General temporary assistance	30.0	14.8	15.2	30.0	0.0	0.0
Overtime	31.6	15.8	15.8	31.6	0.0	0.0
Consultants	190.0	157.5	157.5	315.0	125.0	65.8
Promotion and encouragement of the conduct of marine scientific research	100.0	50.0	50.0	100.0	0.0	0.0
Ad hoc expert groups	450.9	266.9	304.0	570.9	120.0	26.6
Central data repository	130.0	65.0	65.0	130.0	0.0	0.0
Common staff costs	2 706.3	1 341.4	1 364.9	2 706.3	0.0	0.0
Subtotal (section 1)	**9 662.4**	**4 952.0**	**5 013.0**	**9 965.0**	**302.6**	**3.1**
Section 2						
Official travel	325.1	237.7	242.4	480.1	155.0	47.7
Subtotal (section 2)	**325.1**	**237.7**	**242.4**	**480.1**	**155.0**	**47.7**
Section 3						
Communications	160.1	98.8	102.0	200.7	40.6	25.4
External printing	100.0	49.9	50.1	100.0	0.0	0.0
Training	52.1	33.0	30.0	63.0	10.9	20.9
Library books	100.0	68.0	68.0	136.0	36.0	36.1
Official hospitality	22.0	11.0	11.0	22.0	0.0	0.0
Acquisition of furniture and equipment	60.9	178.4	84.2	262.7	201.8	331.4
Rental and maintenance of furniture and equipment	23.0	11.3	11.7	23.0	0.0	0.0
Supplies and materials	80.3	39.5	40.8	80.3	0.0	0.0
Miscellaneous services	109.6	54.0	55.6	109.6	0.0	0.0
Information technology	120.9	105.6	65.9	171.5	50.6	41.9
Audit fees	34.6	17.3	17.3	34.6	0.0	0.0

	Approved for			Total for 2015/2016	Increase (decrease)	
	2013/2014	2015	2016		Amount	Percentage
United Nations common system	166.0	83.0	83.0	166.0	0.0	0.0
IPSAS	0.0	60.0	60.0	120.0	120.0	100.0
Subtotal (section 3)	**1 029.5**	**809.8**	**679.6**	**1 489.4**	**459.9**	**44.7**
Section 4						
Building management	776.9	482.8	394.1	876.9	100.0	12.9
Subtotal (section 4)	**776.9**	**482.8**	**394.1**	**876.9**	**100.0**	**12.9**
Total, part 1 (sections 1-4)	**11 793.8**	**6 482.2**	**6 329.1**	**12 811.4**	**1 017.6**	**8.6**
Part 2. Conference-servicing costs of the International Seabed Authority						
Conference services	2 518.9	1 465.9	1 465.9	2 931.7	412.8	16.4
Total, part 2	**2 518.9**	**1 465.9**	**1 465.9**	**2 931.7**	**412.8**	**16.4**
Grand total	**14 312.7**	**7 948.1**	**7 795.0**	**15 743.1**	**1 430.4**	**9.99**

Abbreviation: IPSAS, International Public Sector Accounting Standards.
[a] ISBA/20/A/12.

International Seabed Authority: income, expenses and miscellaneous income

(Thousands of United States dollars)

Income	
Contributions from Member States	11 759.4
Estimated savings (biennium 2013-2014)	781.4
Miscellaneous income	3 202.3
Total	**15 743.1**
Expenses	
Budgetary requirements	15 743.1
Total	**15 743.1**
Miscellaneous income	
Miscellaneous income cumulated during 2013	2 121.3
Expected overhead charges, 2015	376.0
Expected overhead charges, 2016	705.0
Total	**3 202.3**

Annex II

Programme presentation of the International Seabed Authority budget in accordance with the Authority work areas[a]

Expenses

(United States dollars)

Programme areas[b]	*Budget 2017 2018*	*Budget 2017*	*Budget 2018*
Programme 1: Supervisory functions with regard to contracts for exploration			
Programme 2: Monitoring of trends and developments relating to deep seabed mining activities, including world metal market conditions and metal prices, trends and prospects			
Programme 3: Development of an appropriate regulatory framework for the future development of the mineral resources of the Area, including standards for the protection and preservation of the marine environment during their development			
Programme 4: Promotion and encouragement of marine scientific research in the Area through, among other things, an ongoing programme of technical workshops, the dissemination of the results of such research, and collaboration with contractors and the international scientific community			
Programme 5: Information-gathering and the establishment and development of unique databases of scientific and technical information with a view to obtaining a better understanding of the deep ocean environment			
Programme 6: Ongoing assessment of available data relating to prospecting and exploration for polymetallic nodules, polymetallic sulphides and cobalt-rich ferromanganese crusts			
Programme 7: Development of an environmental management plan for relevant areas containing polymetallic nodules, polymetallic sulphides and cobalt-rich ferromanganese crusts			
Total programme budget			
Cross-cutting, management and costs that cannot be specifically linked to a programme[c]			
Grand total programme and cross-cutting and management costs			

[a] All contractors' application processing fees and overhead charges are related to programme 1, Supervisory functions with regard to contracts for exploration.

[b] ISBA/21/A/2.

[c] Disclosure will be made regarding the basis of the apportionment of expenses among programmes and the nature and amount of expenses that are not directly traceable to programmes.

A. The amounts for programme presentation could also be further detailed by chart of account expenditure type as shown in the current 2015-2016 budget.

B. Expenses specifically attributable to either processing contract application fees or servicing contractors (for example, workshops) would be separately tracked and shown against miscellaneous income.

Income

(United States dollars)

Income	*Budget 2017/2018*	*Budget 2017*	*Budget 2018*
Contributions from Member States			
Estimated savings (biennium 2015-2016)			
Miscellaneous income (see table on miscellaneous income below)			
Total			
Expenses			
Budgetary requirements (see table on expenses by programme area above)			
Total			

Miscellaneous income details

Miscellaneous income	*Budget 2017/2018*	*Budget 2017*	*Budget 2018*
Miscellaneous income accumulated during 2015 and 2016			
Expected application processing fees from applications received and currently in process[d]			
Expected application processing fees from applications received and to be approved			
Expected overhead charges[d]			
Total			

[d] All application processing fees and overhead charges are related to programme 1, Supervisory functions with regard to contracts for exploration.

Annex III

International Public Sector Accounting Standard 24: Presentation of Budget Information in Financial Statements

Extracts[a]

Definitions

23. Annual budget means an approved budget for one year. It does not include published forward estimates or projections beyond the period.

24. Approved budget means the expenditure authority derived from laws, appropriation bills, and other decisions related to the anticipated revenue or receipts for the budgetary period.

25. Appropriation is an authorization granted by an oversight body to allocate funds for purposes specified.

26. Budgetary basis means the accrual, cash, or other basis of accounting adopted in the budget that has been approved by the governing body.

27. Comparable basis means the actual amounts presented on the same accounting basis, same classification basis, for the same entity, and for the same period as the approved budget.

28. Final budget is the original budget, adjusted for all reserves, carry-over amounts, transfers, allocations, supplemental appropriations, and other governing body changes applicable to the budget period.

29. Multi-year budget is an approved budget for more than one year. It does not include published forward estimates or projections for periods beyond the budget period.

30. Original budget is the initial approved budget for the budget period.

Approved Budgets

31. An approved budget reflects the anticipated revenues or receipts expected to arise in the annual or multi-year budget period, based on current plans and the anticipated economic conditions during that budget period, and expenses or expenditures approved by the governing body. An approved budget is not a forward estimate, or a projection based on assumptions about future events and possible management actions that are not necessarily expected to take place. Similarly, an approved budget differs from prospective financial information, which may be in the form of a forecast, a projection, or a combination of both. For example, a one-year forecast plus a five-year projection.

[a] Extracts from IPSAS 24 "Presentation of Budget Information in Financial Statements" issued in October 2011. IPSAS are published by the International Federation of Accountants (IFAC).

Original and Final Budget

32. The original budget may include residual appropriated amounts automatically carried over from prior years by law. For example, some governmental budgetary processes require the automatic rolling forward of appropriations to cover prior year commitments. Commitments encompass possible future liabilities based on a current contractual agreement. Commitments may include outstanding purchase orders and contracts where goods or services have not yet been received.

33. Supplemental appropriations may be necessary where the original budget did not adequately envisage expenditure requirements arising from. There may be a shortfall in budgeted revenues during the period, and internal transfers between budget sections or line items may be necessary to changes in priorities during the year. The final budget includes all such authorized changes or amendments.

Presentation of a Comparison of Budget and Actual Amounts

34. An entity shall present a comparison of the budget amounts for which it is held publicly accountable and the actual amounts, either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with IPSAS. The comparison of budget and actual amounts shall present separately:

A. The original and final budget amounts;

B. The actual amounts on a comparable basis; and

C. By way of note disclosure, an explanation of material differences between the budget and actual amounts.

35. Presentation in the financial statements of the original and final budget amounts and actual amounts on a comparable basis with the public budget will complete the accountability cycle by enabling users of the financial statements to identify whether resources were obtained and used in accordance with the approved budget. Differences between the actual amounts, whether original or final budget (i.e. variances), may also be presented in the financial statements for completeness.

36. An explanation of the material differences between actual amounts and the budget amounts will assist users in understanding the reasons for material departures from the approved budget for which the entity is held publicly accountable. Material differences may be determined by reference to, for example, (a) differences between actual and original budget to focus on performance against the original budget, or (b) differences between actual and final budget to focus on compliance with the final budget.

37. In many cases, the final budget and the actual amount will be the same. This is because budget execution is monitored over the reporting period, and the original budget progressively revised to reflect changing conditions and experiences during the reporting period. This standard requires the disclosure of an explanation of the reasons for changes between the original and final budget.

38. The management discussion and analysis, operations review, or other reports that provide commentary on the performance and achievements of the entity during the reporting period, including explanations of any material differences from budget

amounts, are often issued in conjunction with the financial statements. In accordance with this standard, an explanation of material differences between actual and budget amounts will be included in notes to the financial statements, unless (a) included in other public reports or documents issued in conjunction with the financial statements, and (b) the notes to the financial statements.

Presentation and Disclosure

39. An entity shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis.

40. Comparisons of budget and actual amounts may be presented in a separate statement (Statement of Comparison of Budget and Actual Amounts, or a similarly titled statement) included in the complete set of financial statements. Alternatively, where the financial statements and the budget are prepared on a comparable basis — that is, on the same basis of accounting for the same entity and reporting period, and adopt the same classification structure — additional columns may be added to the existing primary financial statements presented in accordance with IPSAS. These additional columns will identify original and final budget amounts, and, if the entity so chooses, differences between the budget and actual amounts.

41. When the budget and financial statements are not prepared on a comparable basis, a separate Statement of Comparison of Budget and Actual Amounts is presented. In these cases, to ensure that readers do not misinterpret financial information that is prepared on different bases, the financial statements could usefully clarify that the budget and accounting bases differ, and that the Statement of Comparison of Budget and Actual Amounts is prepared on the budget basis.

42. For entities where budgets are prepared on the accrual basis and encompass the full set of financial statements, additional budget columns can be added to all primary financial statements required by IPSAS. For other entities, budgets prepared on the accrual basis may be presented in the form of only certain of the primary financial statements that comprise the full set of financial statements as specified by IPSAS — for example, the budget may be presented as a statement of financial performance or a cash flow statement, with additional information provided in supporting schedules. In these cases, the additional budget columns can be included in the primary financial statements that are also adopted for presentation of the budget.

Level of Aggregation

43. Budget documents may provide great detail about particular activities, programs, or entities. These details are often aggregated into broad classes under common budget heads, budget classifications, or budget headings for presentation and approval by an oversight body. The disclosure of budget and actual information consistent with those broad classes and budget heads or headings will ensure that comparisons are made at the level of the legislative body identified in the budget documents.

44. IPSAS 3, "Accounting Policies, Changes in Accounting Estimates and Errors", requires financial statements to provide information that meets a number of qualitative characteristics, including that the information is:

A. Relevant to the decision-making needs of users; and

B. Reliable in that the financial statements:

i. Represent faithfully the financial position, financial performance, and cash flows of the entity;

ii. Reflect the economic substance of transactions, other events, and conditions, and not merely the legal form;

iii. Are neutral, that is, free from bias;

iv. Are prudent;

v. Are complete in all material respects.

45. Additional budget information, including information about service achievements, may be presented in documents other than financial statement. A cross reference from financial statements to such documents is encouraged, particularly to link budget and actual data to nonfinancial budget data and service achievements.

Changes from Original to Final Budget

46. An entity shall present an explanation of whether changes between original and final budget are a consequence of reallocations within the budget, or other factors:

A. By way of note disclosure in the financial statements; or

B. In a report issued before, at the same time as, or in conjunction with, the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

47. The final budget includes all changes approved by legislative body to revise the original budget. Consistent with the requirements of this standard, a public sector entity will include in the notes to the financial statements, an explanation of changes between the original and final budget. That explanation will include whether, for example, changes arise as a consequence of reallocations within the original budget parameters, including changes in policy. Such disclosures are often made in a management discussion and analysis or similar report on operations issued in conjunction with, but not as part of the financial statements. Such disclosures may also be included in budget execution reports, with appropriate cross referencing.

Comparable Basis

48. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget.

49. The comparison of budget and actual amounts will be presented on the same accounting basis (accrual, cash, or other basis), same classification basis, and for the same entities and period as for the approved budget. This will ensure that the disclosure of information about compliance with the budget in the financial statements is on the same basis as the budget itself. In some cases, this may mean presenting a budget and actual comparison on a different basis of accounting, for a different group of activities, and with a different presentation or classification format than that adopted for the financial statements.

50. Entities may adopt different bases of accounting for the preparation of their financial statements and for their approved budgets. For example, a government may adopt the accrual basis for its financial statements and the cash basis for its budget. In addition, budgets may focus on, or include information about, commitments to expend funds in the future and changes in those commitments, while the financial statement will report assets, liabilities, net assets/equity, revenues, expenses, other changes in net assets/equity, and cash flows. However, the budget entity and financial reporting entity will often be the same. Similarly, the period for which the budget is prepared and the classification basis adopted for the budget will often be reflected in the financial statements. This will ensure that the accounting system records and reports financial information in a manner that facilitates the comparison of budget and actual data for management and for accountability purposes, for example, for monitoring progress of execution of the budget during the budget period and for reporting to users.

51. In some situations, budgets may be prepared on a cash basis or accrual basis consistent with a statistical reporting system that encompasses entities and activities different from those included in the financial statements.

Multi-year Budgets

52. Some entities approve and make publicly available multi-year budgets, rather than separate annual budgets. Conventionally, multi-year budgets comprise a series of annual budgets or annual budget targets. The approved budget for each component annual period reflects the application of the budgetary policies associated with the multi-year budget for that component period. In some cases, the multi-year budget provides for a roll forward of unused appropriations in any single year.

53. Entities with multi-year budgets may take different approaches to determining their original and final budget, depending on how their budget is passed. For example, a government may pass a biennial budget that contains two approved annual budgets, in which case an original and final approved budget for each annual period will be identifiable. If unused appropriations from the first year of the biennial budget and permitted to be spent in the second year, the original budget for the second year period will be increased by these carry over amounts. Where multi-period budgets are adopted, entities are encouraged to provide additional note disclosure about the relationship between budget and actual amounts during the period.

Note Disclosure of Budgetary Basis, Period and Scope

54. An entity shall explain in the notes to the financial statements the budgetary basis and classification basis adopted in the approved budget.

55. There may be differences between the accounting basis (cash, accrual, or some modification thereof) used in preparation and presentation of the budget and the accounting basis used in the financial statements. These differences may occur when the accounting system and the budget system compile information from different perspectives — the budget may focus on cash flows, or cash flows plus certain commitments, while the financial statements report cash flows and accrual information.

56. Formats and classification schemes adopted for presentation of the approved budget may also differ from the formats adopted for the financial statements. An approved budget may classify items on the same basis as is adopted in the financial statements, for example, by economic nature (compensation of employees, use of goods or services, etc.), or function (health, education, etc.). Alternatively, the budget may classify items by specific programs (for example poverty reduction, or control of contagious diseases), or program components linked to performance outcome objectives (for example, students graduating from tertiary education programs, or surgical operations performed by hospital emergency services), which differ from classifications adopted in the financial statements. Further, a recurrent budget for on-going operations (for example, education or health) may be approved separately from a capital budget for capital outlays (for example, infrastructure or buildings).

57. IPSAS 1 requires entities to present, in notes to the financial statements information about the basis of preparation of the financial statements and the significant accounting policies adopted. Disclosure of the budgetary basis and classification basis adopted for the preparation and presentation of approved budgets will assist users to better understand the relationship between the budget and accounting information disclosed in the financial statements.

58. An entity shall disclose in notes to the financial statements the period of the approved budget.

59. Financial statements are presented at least annually. Entities may approve budgets for an annual period or for multi-year periods. Disclosure of the period covered by the approved budget, where that period differs from the reporting period adopted for the financial statements, will assist the users of those financial statements to better understand the relationship of the budget data and budget comparison to the financial statements. Disclosure of the period covered by the approved budget, where that period is the same as the period covered by the financial statements, will also serve a useful confirmation role, particularly in jurisdictions where interim budgets and financial statements and reports are also prepared.

Reconciliation of Actual Amounts on a Comparable Basis and Actual Amounts in the Financial Statements

60. The actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the following actual amounts presented in the financial statements, identifying separately any basis, timing, and entity differences.

A. If the accrual basis is adopted for the budget, total revenues, total expenses, and net cash flows from operating activities, investing activities, and financing activities; or

B. If a basis other than the accrual basis is adopted for the budget, net cash flows, from operating activities, investing activities, and financing activities.

61. The reconciliation shall be disclosed on the ace of the statement of comparison of budget and actual amounts, or in the notes to the financial statements.

62. Differences between the actual amounts identified consistent with the comparable basis, and the amounts recognized in the financial statements, can usefully be classified into the following:

A. Basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis. For example, where the budget is prepared on the cash basis or modified cash basis and the financial statements are prepared on the accrual basis;

B. Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements; and

C. Entity differences, which occur when the budget omits programs or entities that are part of the entity for which the financial statements are prepared.

63. There may be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

64. The reconciliation required by this Standard will enable the entity to better discharge its accountability obligations, by identifying major sources of difference between the actual amounts on a budget basis and the amounts recognized in the financial statements. This Standard does not preclude reconciliation of each major total and subtotal, or each class of items, presented in a comparison of budget and actual amounts with the equivalent amounts in the financial statements.

65. For some entities adopting the same basis of accounting for preparation of both the budget documents and the financial statements, only the identification of differences between the actual amounts in the budget and the equivalent amounts in the financial statements will be required. This will occur where the budget (a) is prepared for the same period, (b) encompasses the same entities, and (c) adopts the same presentation as the financial statements. In these cases, a reconciliation is not required.

66. For other entities adopting the same basis of accounting for the budget and the financial statements, there may be a difference in presentation format, reporting entity, or reporting period. For example, the approved budget may adopt a different classification or presentation format to the financial statements, may include only non-commercial activities of the entity, or maybe a multi-year budget. A reconciliation would be necessary where there are presentation, timing, or entity differences between the budget and the financial statements prepared on the same accounting basis.

67. For those entities using the cash basis (or a modified cash or modified accrual basis) of accounting for the presentation of the approved budget and the accrual basis for their financial statements, the major totals presented in the statement of budget and actual comparison will be reconciled to net cash flows from operating

activities, net cash flows from investing activities, and net cash flows from financing activities as presented in the cash flow statement prepared in accordance with IPSAS 2, Cash Flow Statements.

68. The disclosure of comparative information in respect of the previous period in accordance with the requirements of IPSAS 24 is not required.

69. This standard requires a comparison of budget and actual amounts to be included in the financial statements of entities that make publicly available their approved budget(s). It does not require the disclosure of a comparison of actuals of the previous period with the budget of that previous period, nor does in require that the related explanations of differences between the actuals and budget of that previous period be disclosed in the financial statements of the current period.

International Seabed Authority ISBA/21/FC/7

Finance Committee

Distr.: Limited
9 June 2015

Original: English

Twenty-first session
Kingston, Jamaica
13-24 July 2015

Implementation of potential cost-saving measures

Report of the Secretary-General

1. Throughout the reporting period, the secretariat remained committed to limiting increases in administrative expenses through the continued implementation of cost-saving and efficiency measures. The International Seabed Authority is a member of the United Nations country team and is currently working with eight United Nations agencies[1] through the operations management team to formulate agreements under the United Nations common services initiative in Jamaica. Under the initiative, the operations management team continues to work towards reducing costs while streamlining business practices in areas such as human resources management, information technology, finance, procurement, travel and common premises.

2. The initiative has resulted in two collaborative agreements, one for common procurement for stationery and office supplies and the other being a regional long-term agreement for travel management. The Authority is using inter-agency collaboration to reduce administrative costs by avoiding duplication of work. It is anticipated that, by 2016, the United Nations system in Jamaica will have achieved a reduction of 15 per cent in procurement costs and a reduction of 30 per cent in procurement time in support of United Nations Development Assistance Framework outcomes.

3. In 2014, the secretariat reviewed an environmentally friendly and energy-saving lighting system for its premises. It is expected to reduce lighting energy consumption by up to half, result in annual savings of some $15,000 and have a two-year payback period. The secretariat plans to include the installation costs in the budget for the financial period 2017-2018.

[1] The participating agencies are the United Nations Population Fund, the Pan American Health Organization, the United Nations Children's Fund, the United Nations Educational, Scientific and Cultural Organization, the United Nations Environment Programme, the Joint United Nations Programme on HIV/AIDS, the United Nations Development Programme and the Food and Agriculture Organization of the United Nations.

15-09305 (E) 110615

Please recycle

International Seabed Authority ISBA/21/FC/8

Finance Committee

Distr.: General
16 June 2015

Original: English

Twenty-first session
Kingston, Jamaica
13-24 July 2015

New member of the International Seabed Authority

Note by the Secretary-General

1. Since the twentieth session of the Assembly, the State of Palestine has become party to the United Nations Convention on the Law of the Sea and has therefore been a new member of the International Seabed Authority since 2 January 2015.

2. In accordance with financial regulation 6.9, new members of the Authority are to make a contribution for the year in which they became members and to provide their proportion of the total advances to the Working Capital Fund at such rates as may be determined by the Assembly. In accordance with financial regulation 7, such contributions for 2015 and 2016 are to be classed as miscellaneous income.

3. The assessed contributions due from the State of Palestine for 2015 and 2016 have been calculated on a pro rata basis, according to the scale of assessments for 2015 and 2016, as shown in the table below. No advance is needed for the Working Capital Fund, given that it is at its ceiling of $560,000.

		United Nations scale of assessments (percentage)		*Adjusted International Seabed Authority scale (percentage)*		*Contributions to the general administrative budget (United States dollars)*		*Advances to the Working Capital Fund (United States dollars)*
New Member State	*Date membership began*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
State of Palestine	2 January 2015	0.0025	0.0025	0.01	0.01	578	578	–
Total						**578**	**578**	–

4. The Finance Committee is invited to take note of the information provided and to make a recommendation to the Council and the Assembly relating to the assessed contributions of the State of Palestine to the administrative budgets of the Authority for 2015 and 2016 and its initial advance to the Working Capital Fund.

Please recycle